

SCM D Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1 1

MESSAGE HANDLING INDICATOR

TIME GROUP

CITE

25X1

CIA/DCI/WHIZWH 740918

SOURCE REF:

ROUTING	1	2	3	4	5	6	7	8	9	10	11	12
---------	---	---	---	---	---	---	---	---	---	----	----	----

No Item Number

TO: IMMEDIATE WHITE HOUSE//SITUATION ROOM FOR MR FAZIO.4

25X1

ITEM NO. WH 3

DATE: 18 SEPTEMBER 1974

25X1

SUBJECT: OPEC CONFERENCE RESULTS

OPEC DECIDED LAST WEEK TO FREEZE POSTED PRICES FOR THE FOURTH QUARTER OF 1974, BUT TO INCREASE MEMBER GOVERNMENTS' TAKE BY 3.5% EFFECTIVE OCTOBER 1 TO COMPENSATE FOR INFLATION. BECAUSE TAX AND PRICING POLICIES DIFFER SUBSTANTIALLY AMONG OPEC COUNTRIES, IMPLEMENTING THE INCREASE WILL TAKE A VARIETY OF FORMS. FOR THOSE PRODUCERS WHO HAVE A DUAL PRICE SYSTEM, TAXES ON EQUITY OIL WILL BE BOOSTED; FOR THOSE WITH A SINGLE PRICE SYSTEM, SOME OTHER MECHANISM WILL BE USED.

A STRAIGHT APPLICATION OF THE OPEC FORMULA INDICATES THAT THE WEIGHTED AVERAGE COST TO THE PRODUCING COMPANIES FOR CRUDE WILL INCREASE BY AT LEAST 33 CENTS, TO \$9.84 PER BARREL. ACTUALLY, WE THINK IT LIKELY THAT THE INCREASE WILL BE ON THE ORDER OF 40 TO

DATE:
ORIG:
UNIT:
EXT:

25X1

RELEASING OFFICER

COORDINATING OFFICERS

CLASSIFICATION

REPRODUCTION BY OTHER THAN THE ISSUING OFFICE IS PROHIBITED

FORM 4C
1-74USE PREVIOUS
EDITIONS

Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1

OUTGOING

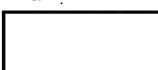
25X1

Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1

OF PAGES

SCM 0 0 0 0 0 0

25X1



MESSAGE HANDLING INDICATOR

DATE-TIME GROUP

CITE

MESSAGE REFERENCE NUMBER

SOURCE REF:

ROUTIN	1	4	7	10
	2	5	8	11
3	6	9	12	

50 CENTS.

COMPANY PROFITS ON THEIR

CRUDE OPERATIONS IN THE GULF ARE ON THE ORDER OF 40 TO 50 CENTS

25X1

PER BARREL. WE WOULD EXPECT THAT MOST OF THE
TO
INCREASED COST OF OIL WILL BE PASSED ON/THE CONSUMER.

OUR ANALYSES OF THE OPEC AGREEMENTS AND PREVAILING BUYBACK PRICES, HOWEVER, SUGGESTS THAT THE ACTUAL INCREASE IN THE COST OF OIL MAY BE CLOSER TO 5% THAN THE 3 1/2% OPEC CLAIMS. THIS WOULD EQUATE TO 40 TO 50 CENTS PER BARREL RATHER THAN THE 33 CENTS PER BARREL USED BY OPEC.

PLATE
RICH

THE SAUDIS WERE ODD MAN OUT AT VIENNA. THEY WOULD NOT GO ALONG WITH THE INCREASES IN ROYALTIES AND TAXES--A POSITION SIMILAR TO ~~THE ONE THEY TOOK~~ ^{THE ONE THEY TOOK} AT THE QUITO MEETING. THEY INDICATED, HOWEVER, THAT THEY WOULD INCREASE THE AVERAGE PRICE OF SAUDI OIL FROM \$9.34 PER BARREL TO \$9.47--ABOUT 13 CENTS PER BARREL, BUT STILL 20 CENTS BELOW THE STATED OBJECTIVE OF OPEC. THIS WOULD MAKE SAUDI OIL THE CHEAPEST IN OPEC. ACTUALLY, WE BELIEVE THAT YAMANI'S POSITION AT VIENNA WAS JUST POSTURING AND THAT WHEN THE TIME COMES TO SETTLE ACCOUNTS WITH ARAMCO YAMANI WILL INSIST

PLATE
RICH

DATE:

ORIG:

UNIT:

EXT:

25X1

RELEASING OFFICER
CLASSIFICATION

COORDINATING OFFICERS

REPRODUCTION BY OTHER THAN THE ISSUING OFFICE IS PROHIBITED

Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1

Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1

25X1

PAGES

SCM

3

3

25X1

MESSAGE HANDLING INDICATOR

DATE-TIME GROUP

CITE

MESSAGE REFERENCE NUMBER

SOURCE REF:

ROUTING	1	4	7	10
2		5	8	11
3		6	9	12

ON RECEIVING RETROACTIVE REVENUE THAT WILL AT LEAST EQUAL THE OPEC FORMULA.

OTHER ITEMS FROM THE OPEC CONFERENCE:

--AS OF JANUARY 1975, THE RATE OF INFLATION IN INDUSTRIALIZED COUNTRIES WILL AUTOMATICALLY BE TAKEN INTO ACCOUNT WHEN ADJUSTING NEW PRICES.

--A WORKING COMMITTEE WILL STUDY A NEW SYSTEM FOR LONG-TERM OIL PRICING.

--A STUDY WILL BE MADE ON THE SUBJECT OF SUPPLY AND DEMAND. IN THE MEANTIME, A NUMBER OF COUNTRIES ANNOUNCED THEIR DECISION TO MAKE A VOLUNTARY CUTBACK IN THEIR PRODUCTION LEVEL.

--A REPORT OF THE WORKING PARTY ON THE OPEC DEVELOPMENT FUND WAS EXAMINED AND THE MEMBERS DECIDED TO CONTINUE AID ON A BILATERAL AS WELL AS A MULTILATERAL BASIS.

ESPECIAL DISTRIBUTION:

25X1

25X1

DATE: 18 SEPT 74

25X1

ORIG:

UNIT: CIA OPS CTR

25X1

25X1

RELEASING OFFICER
CLASSIFICATION

COORDINATING OFFICERS

REPRODUCTION BY OTHER THAN THE ISSUING OFFICE IS PROHIBITED

FORM
1-74

4C Approved For Release 2003/05/14 : CIA-RDP78S01932A000100160037-1
EDITIONS

1